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The complex effects of IP

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Creativity in fashion: the complex effects of IP

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Introduction

In *Muscat v Le*,¹ Finkelstein J said:²

Fashion is a multi-billion dollar industry that has no national boundaries. The segment of the market that caters to the young is extremely lucrative. Fashion designers are creative people; they want their clothing to be distinctive and appealing.

The fashion industry is an important part of the domestic economy currently worth \$12 billion,³ but also a revenue earner of increasing importance for Australian exports. Foreign Minister Julie Bishop, when discussing the importance of nurturing Australian fashion design talent on an international scale pointed out that, "... [a] flourishing fashion industry means economic growth not only in Australian but also throughout our region".⁴

The Australian fashion industry is too often overlooked as a real creative industry. The success of Australian designers such as Zimmermann⁵ and Sass & Bide⁶ proves that this is a significant misconception and undervalues fashion design as a generator of future intellectual capital (IC). Unlike the extractive industries, the IC in fashion design is an inexhaustible future resource. Intellectual Property (IP) protection of fashion design is therefore an important topic.

In this article we examine the basic structure of legal protection in the fashion industry. By its nature fashion is both creative and cyclical, which presents particular challenges for lawyers and policy makers. We find that although the design registration system is the most suitable for fashion design, factors of cost and delay detract from its practical utility.

Outline of IP protection for fashion design

We are concerned here with the design of garments, excluding for present purposes apparel, shoes, belts, bags and the like. Nonetheless we must at times extrapolate from rules and decisions concerning such items as there is a paucity of decisions about garments as such.

Designs registration is generally recognised as the protection regime best adapted to creative fashion. It is the one area of IP law that is intended to protect a product, in this case a garment, in its entirety. Although copyright in original underlying drawings or patterns

could perform a similar function, the exclusion of copyright protection for the shape and configuration of a garment severely limits its practical importance.⁷ IP rights might also vest in bolts of fabric.

Trade mark piracy is not what concerns us here, as we focus on elements such as patterns, shapes and fabric stitching of garments. However, the fact that it is possible to trade mark *patterns* such as the famous Burberry check; to trade mark *colours* such as the red Louboutin sole; or perhaps to trade mark the distinctive *shape* of a garment such as the uniquely Australian Driza-Bone oilskin coat — presents some opportunities to fashion designers to rely on trade mark registration in relation to visual aspects of their work. This topic is further examined below by reference to some recent cases.

Finally, the law of passing off (s 18 of the Australian Consumer Law) may be relevant where a competitor so closely imitates a garment that consumers conclude that it comes from the same source as the original.

Designs

The owner of the design (usually the fashion house employing the actual designer(s)) can file an application for registration pursuant to the Designs Act 2003 (Cth).⁸ In order for the product to be a registrable design it must be "new and distinctive when compared with the prior art base for the design as it existed before the priority date of the design".⁹ It is not new if it is identical to a prior art design,¹⁰ and it is not distinctive if it is substantially similar in overall impression to such a design.¹¹ The test of substantial similarity is based upon whether an informed user, giving more weight to similarities than differences, regards the design as being substantially similar in overall impression to the prior design.¹²

This test also applies when comparing a registered design and an allegedly infringing design. The factors to be taken into account are enumerated in s 19 of the Designs Act 2003 (Cth) and, importantly, include the scope for innovation and how crowded the prior art base is.¹³ The cyclical nature of fashion design means that the prior art base is usually very substantial and the scope for innovation relatively narrow. However, the method

of combination of elements — such as colour (combinations), texture, textile, cut and shape, decorative elements, patterns and so on — appears seemingly infinite.

Factors such as materials and feel of textiles are not protectable in themselves because they are expressly excluded by the Act.¹⁴

Examples of the design registration regime in operation are found in two cases involving fashion label Review Pty Ltd. Review, having obtained design registration for a wrap-style dress, brought separate actions against Redberry Pty Ltd¹⁵ and New Cover Group Pty Ltd¹⁶ on the basis that both respondents' designs were substantially similar to Review's design. In each case, two key issues arose: whether the Review design was valid; and if so, whether it had been infringed.¹⁷

The test for validity was "would an informed user (giving more weight to similarities than differences) consider the Review design substantially similar in overall impression to a design or designs [in the prior art]"?¹⁸ A wrap-dress by well-known American designer Diane von Fürstenberg was examined and the court found that while there were similarities there were differences which, "from the informed user's perspective [...] created a quite different overall impression to the Fürstenberg dress".¹⁹ The court took into account the factors of s 19 of the Designs Act, in particular the requirement to give more weight to similarities than differences, but nonetheless found the Review dress to be new and distinctive because the skirt shape and pattern were different. The difference in overall shape as opposed to mere decorative elements was the deciding factor.

In terms of infringement, in the New Cover case the Review design was found to be infringed because, although the colour and pattern were different, the skirt of the dress was practically identical and therefore fell within the narrow confines of the registered design. The Redberry dress did not infringe the Review dress, as it bore a different shape of skirt and pattern.

Who is the "informed user"?

The concept of the "informed user" was a key issue in both the New Cover and Redberry cases and is central to the operation of s 19. The informed user was considered to be a user of ladies garments.²⁰ More particularly, it would include a potential purchaser "either in retail sales (such as a buyer for a fashion store) or at the ultimate consumer level".²¹ A designer or manufacturer of ladies' garments was not an informed user and an informed user was not an expert but "must be more than barely informed".²² In this case, the wrap-over style of dress was found to be fairly common and gave limited freedom to innovate.

A more recent Australian case took a more flexible approach to the concept of the "informed user". In *Multisteps Pty Ltd v Source & Sell Pty Ltd*,²³ the court considered whether the informed user needed to actually use the items in question. Because the statutory definition of informed user is a "person who is familiar with the product to which the design relates",²⁴ the court held that, "the standard does not proceed on the requirement that the notional person be a user of the products in question".²⁵

The *Review* cases and *Multisteps* are therefore at odds on this significant question. The *Review* cases require the standard to be that of a *user* of the item, whereas *Multisteps* only requires the informed user to be someone familiar with the product, which could include an expert designer or manufacturer.

There have been no decisions concerning registered designs for fashion since the *Review* cases, which were handed down in 2008. Perhaps this indicates that the design system, despite its apparent suitability, is little used. The total number of design applications by Australian applicants has barely increased since 1986.²⁶ Since the introduction of the Designs Act 2003 (Cth), there have been two reported design infringement cases.

Copyright

Copyright is relevant to fashion design in two main ways: copyright in an underlying drawing or dressmaking pattern (as in *Muscat v Le*)²⁷ gives the copyright owner the exclusive right in the three-dimensional reproduction (the actual manufacture) of the two-dimensional artistic work. In some cases, the composition of writing on a garment may amount to an artistic work as for example in *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd*,²⁸ where the court held that a particular visual combination of lettering and numbers on t-shirts was capable of being an artistic work. Where an artistic work is reproduced on the surface of a garment it does not constitute a corresponding design in terms of s 74 of the Copyright Act 1968 (Cth). Therefore even if the garment in question is "industrially applied" (that is, more than 50 articles have been produced) the copyright can still be relied on against a competitor who copies the design.

There is also the theoretical possibility that copyright vests in a bolt of fabric. This was at issue in *Coogi Australia Pty Ltd v Hysport International Pty Ltd*,²⁹ where a unique bolt of knitted and worsted wool was held to be a work of artistic craftsmanship.

The Seafolly case: old wine in new bottles?

The most recent decision in this context is *Seafolly Pty Ltd v Fewstone Pty Ltd*.³⁰ The case involved three swimwear designs, two of which featured painted roses

and one featured elevated zigzag stitching. City Beach conceded to using Seafolly garments as inspiration. However, the evidence showed that City Beach asked for prints similar to Seafolly and at one stage a design was referred to as the “Seafolly knock off”.³¹ Ultimately the court found in favour of Seafolly on the basis that City Beach substantially copied the Seafolly designs.

It must be noted that the court’s reasoning appears deficient. The first step in the process of determining whether copyright infringement has occurred is to identify what exactly the copyright work is. “Artistic work” is defined by reference to an exhaustive list, including drawings and paintings. However, here the court simply referred to Seafolly’s “artworks”³² as having satisfied the legal definition of being an “original artistic work”. Perhaps, as her Honour stated, this was because, “it was not disputed that each of Seafolly’s English Rose, Covent Garden and Senorita artworks constituted an artistic work within the meaning of s 10(a) of the Copyright Act”.³³ Her Honour reasoned that the Senorita “artwork” constituted an original artistic work because it was a “product of labour, skill and effort, together with a process of trial and error”.³⁴ The court never considered whether the work was a drawing or some other work listed in the s 10 definition of artistic work.

The court also found that the adoption of Seafolly’s designs constituted copyright infringement. In arriving at this decision the court stated that “the first question is whether there has been copying, and then secondly whether the copying is substantial”.³⁵ Evidence led of correspondence between designers asking for Seafolly-type designs in conjunction with their failure to change the designs after being warned, aided the court to decide that this was not inspiration but rather a substantial copying of Seafolly’s designs. This meant that the slight differences between the representations of each design were to be ignored. Given the cyclical nature of fashion, at the time Seafolly adopted its particular rose design for its swimwear it was considered innovative.

The overlap provisions

In the Seafolly case the issue of overlap between the copyright and designs regimes arose but was dismissed, because the reproduction of a two-dimensional artistic work on the surface of a garment in the form of a print escapes the operation of the overlap provisions.³⁶

When is embroidery and stitching an integral part of a garment?

The Senorita design gave rise to an analysis of whether the overlap provisions of the Copyright Act 1968 (Cth) operated to deny copyright protection. The design itself consisted of black fabric with a white elevated

zigzag stitching sewn across the fabric. Seafolly argued that the stitching, being additional to the fabric, was intended to exist independently and therefore could not be said to be embodied in the fabric. The court, applying *Polo/Lauren Co LP v Ziliani Holdings Pty Ltd*,³⁷ concluded that the embroidery in the Seafolly case was not an integral element of the garment and was thus afforded separate copyright protection. This seems a surprisingly copyright-friendly approach,³⁸ since the elevated cross-stitching design seems quite a commonplace fashion feature, an issue touched upon but not discussed in any great detail.³⁹

Polo/Lauren involved the famous Ralph Lauren embroidered badge depicting a polo player. The court held that the badge was a label and therefore unable to be embodied in the garment itself. Therefore the effect of the Copyright Act overlap provisions was to allow copyright in the polo player badge (as a separate artistic work) to be enforced in theory. However, it could not be relied upon in fact because of the operation of s 44C of the Copyright Act which provides that copyright in an accessory to an imported article cannot be enforced. The reasoning in this case was, seemingly, adopted rather uncritically in *Seafolly*, although the prominent stitching could by no means be categorised as a label. In any event, whatever the merits of the reasoning in *Seafolly* may be, the effect of the decision is that copyright owners may have surprisingly wide scope to argue that a distinctive feature of a garment (for instance the pocket stitching on True Religion Brand Jeans) constitutes a copyright work in its own right.

Works of artistic craftsmanship

On a final note, an exception to the overlap provisions will apply if, pursuant to s 77(2)(a) of the Copyright Act, the owner of the fashion design can successfully argue that their design is a work of artistic craftsmanship. In *Muscat v Le*⁴⁰ it was held that the flared pants in question were not a work of artistic craftsmanship. This decision represents the difficulties faced when pursuing this legal argument.⁴¹ *Muscat v Le* also exposed a weakness in the overlap provisions as they then stood. Although a plaintiff was precluded from arguing that the manufacture of garments as such constituted copyright infringement, drawings, patterns or other preparatory works produced by the alleged infringer could be argued to be infringing reproductions. The Copyright Act was subsequently amended to close this overlap loophole in relation to any reproductions made in the course of or incidental to the manufacturing process.⁴² What this now practically means is that the overlap provisions are fairly watertight. However, copyright remains available where the fashion element concerned is a pre-existing drawing, photograph or painting

that has been applied to the surface of a garment. It also remains open to argue that the feature concerned is not integrated in the garment, so that the overlap provisions do not come into play at all.

Registered trade marks

Since the introduction of the Trade Marks Act 1995 (Cth), patterns, the shape of goods and colours can be registered as trade marks.

In reality, this will be difficult to achieve because such elements are not normally viewed as trade marks by consumers, but as decorative or functional features.

Nonetheless such trade marks do appear on the register. For instance, Burberry owns a trade mark registration for the famous tartan pattern in its particular colour combination⁴³ and Hermes owns a registration for the H pattern for clothing.⁴⁴ Likewise, colours as such can be registered, as was considered in detail in the *BP* decisions,⁴⁵ and also in the *Whiskas* case.⁴⁶ There have been no court decisions about colour trade marks in the fashion sphere, but Tiffany & Co has registered a blue colour as such for jewellery and apparel (but not clothes).⁴⁷ Registration is only possible if elements such as colour or shape are viewed by consumers as a badge of origin, rather than performing a purely decorative function.⁴⁸ Very few marks will meet this required standard.

In theory, the inclusion of the registered feature in a garment by a competitor could constitute trade mark infringement. However, if it appears as a decorative feature to consumers it may not amount to the “use of a mark as a mark” because it does not perform the function of a badge of origin.⁴⁹

One fashion brand that has successfully defended their non-traditional trade mark is Adidas,⁵⁰ which alleged that footwear with 4-stripes on the side infringed their 3-stripe trade mark that was generally placed on the side of their shoes. The location of the stripes was held to be where other sportswear labels such as Nike and New Balance generally also place their badge, so that consumers would see stripes in that position as indicating the origin of the goods. In relation to the deceptive similarity element, Robertson J held that an average consumer could not perfectly remember the amount of stripes in the Adidas trade mark therefore deception could result. Although the Adidas mark also performs a decorative function, it was well established as a badge of origin through use as such. Where the imitation is then sufficiently proximate, for instance in positioning, size and configuration, trade mark infringement may be found.



[Photo: Adidas case, infringing shoe]



[Adidas case, non-infringing shoe]

In theory, where there is no registered mark in the shape or appearance of the garment, a designer could sue in passing off (or s 18 of the Australian Consumer Law), arguing that the similarity between the garments would lead the average consumer into the erroneous conclusion that they come from the same source.⁵¹

CONCLUSIONS

- Copyright protection is plagued by overlap issues and other complications.
- To protect a complete garment comprising its aspects of shape, colour and cut, the designs regime is the most appropriate option.
- The registered design option has issues of uncertainty, the most significant involving the “informed user” who, according to the latest case law, may be anybody from a user (consumer), to a sales assistant, to an expert designer.
- The cost of design registration for fashion is an issue, particularly for most of Australia’s up-and-coming design houses which are small and medium-sized enterprises (SMEs). Because the fashion innovation cycle is very short (usually six months) and because fashion houses usually produce whole collections consisting of many individual pieces, the overall cost of design registration quickly mounts up.
- One alternative that may be particularly suitable⁵² for fashion is the European unregistered design right (UDR) system, which applies only to cases of deliberate copying and is short term (3 years

maximum). The recent ACIP Options Paper recommends against this approach, citing uncertainty of ownership, the risk of undermining the registered design system, and the ability to lodge one application including multiple articles.⁵³ However, at present there is no discount for multiple designs in one application⁵⁴ and the up-front formalities check fee per item is \$350.00 (no examination). If a collection concerns 30 items then this would amount to \$10,500 — multiplied by four collections per year, equals \$40,000 per year. This does not include any attorney fees. Faced with these sums it would seem that, to support the important, growing fashion design industry in Australia the introduction of a UDR system should be reconsidered.



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Footnotes

1. *Muscat v Le* (2003) 204 ALR 335; (2003) 60 IPR 276; [2003] FCA 1540; BC200308076.
2. Above, n 1, at [1].
3. Carruthers, Fiona, *Australian Fashion's Perfect Storm*, Australian Financial Review 26 March 2015, referring to a report by PwC Network member, Strategy&; State of the Australian Fashion Industry, www.afr.com/brand/australian-fashions-perfect-storm-20150326-1m7527.
4. The Hon Julia Bishop MP, *Julie Bishop on why Fashion Week is about more than just clothes*, Mamamia, 14 April 2015, www.mamamia.com.au/news/julie-bishop-fashion-week.
5. Webster, Karen, *Global shift: Australian fashion's coming of age*, The Conversation, 6 November 2013, http://theconversation.com/global-shift-australian-fashions-coming-of-age-19237 and Traill-Nash, Glynis, *How the Zimmerman Siblings built a fashion empire*, The Australian, Life, 12 April 2014, www.theaustralian.com.au/life/weekend-australian-magazine/how-the-zimmermann-siblings-built-a-fashion-empire/story-e6frg8h6-1226877695852.
6. *Sass & Bide London Fashion Week A/W 2015 Runway*, Marie Claire, 23 February 2015, https://au.lifestyle.yahoo.com/marie-claire/fashion/runway/g/26394495/sass-bide-london-fashion-week-a-w-2015-runway/#1.
7. Copyright Act 1968 (Cth) ss 73–77, by virtue of the overlap provisions, see further below.
8. Specifically ss 5 and 15 of the Designs Act 2003 (Cth) must be made out to establish the product is a design and new and distinctive.
9. *Review 2 Pty Ltd v Redberry Enterprise Pty Ltd* (2008) 173 FCR 450; 79 IPR 214; [2008] FCA 1588; BC200809412; at [55].
10. Designs Act 2003 (Cth), s 16(1).
11. Above, n 10, s 16(2).
12. Above, n 9, at [56].
13. Above, n 10, s 19(2)(a), “the state of development of the prior art base for the design”.
14. Above, n 10, s 7(3).
15. Above, n 9.
16. *Review Australia Pty Ltd v New Cover Group Pty Ltd* (2008) 79 IPR 236; [2008] FCA 1589; BC200809413.
17. Above, n 16, at [3].
18. Above, n 9, at [56].
19. Above, n 9, at [58].
20. Above, n 9, at [26].
21. Above, n 9, at [26].
22. Above, n 9, at [26].
23. *Multisteps Pty Ltd v Source & Sell Pty Ltd* (2013) 214 FCR 323; 309 ALR 83; [2013] FCA 743; BC201303318.
24. Designs Act 2003 (Cth) s 19(4).
25. Above, n 23, at [66].
26. ACIP, *Review of the Designs System: Final Report*, (2015), p 49, www.acip.gov.au/pdfs/ACIP_Designs_Final_Report.pdf.
27. Above, n 1.
28. *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* (2008) 76 IPR 83; (2008) AIPC ¶92-280; [2008] FCA 447; BC200802379.
29. *Coogi Australia Pty Ltd v Hysport International Pty Ltd* (1998) 86 FCR 154; 157 ALR 247; 41 IPR 593; BC9804427. The allegedly infringing garment was not substantially similar to the particular bolt concerned, however, replicating rather the style than the particular form of expression.
30. *Seafolly Pty Ltd v Fewstone Pty Ltd* (2014) 313 ALR 41; 106 IPR 85; [2014] FCA 321; BC201402337.
31. Above, n 30, at [18].
32. The designs are referred to as “artworks” throughout the entire case.
33. Above, n 30, at [217].
34. Above, n 30, at [415]. This reasoning appears at odds with the test of originality first elucidated by the High Court in *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458; 80 IPR 451; [2009] HCA 14; BC200902942, (22 April 2009).
35. Above, n 30, at [285] quoting *Milpurrruru v Indofurn Pty Ltd* (1994) 54 FCR 240; 130 ALR 659; (1995) AIPC 91-116; BC9400232, at 260.
36. Above n 7, s 74: the reproduction must entail an “embodiment” of features.

37. *Polo/Lauren Co LP v Ziliani Holdings Pty Ltd* (2008) 173 FCR 266; 80 IPR 531; [2008] FCAFC 195; BC200811419.
38. Above, n 30, at [470]–[476].
39. Above, n 30, at [416].
40. *Muscat v Le* (2003) 204 ALR 335; 60 IPR 276; [2003] FCA 1540; BC200308076.
41. See also *Coogi Australia Pty Ltd v Hysport International Pty Ltd* (1998) 86 FCR 154; 157 ALR 247; 41 IPR 593; BC9804427, relating to a bolt of fabric. The allegedly infringing garment in that case was not substantially similar to the particular bolt concerned, however, replicating rather the style than the particular form of expression.
42. Above n 7, s 77A.
43. Trademark registration No 708955.
44. Trademark registration No 1059024.
45. *Woolworths Ltd v BP plc (no 2)* (2006) 154 FCR 97; 70 IPR 25; [2006] FCAFC 132; BC200606912 and *Woolworths Ltd v BP plc (No 3)* (2006) 70 IPR 270; [2006] FCAFC 160; BC200609301. BP has been unsuccessful in registering the colour green in respect of service stations.
46. *Mars Australia Pty Ltd (formerly Effem Foods Pty Ltd) v Société des Produits Nestlé SA* (2010) 86 IPR 581; [2010] FCA 639; BC201004225.
47. Trademark registration No 1414010.
48. Above, n 47.
49. *Shell Company of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407; [1963] ALR 634; (1963) 1A IPR 484; BC6300320 and *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (1999) 91 FCR 167; 44 IPR 551; [1999] FCA 816; BC9903322.
50. *Adidas AG v Pacific Brands Footwear Pty Ltd (No 3)* (2013) 308 ALR 74; 103 IPR 521; [2013] FCA 905; BC201312738.
51. *Dr Martens Australia Pty Ltd v Figgins Holdings Pty Ltd* (1999) ASAL(Digest) 55-024; (1999) 44 IPR 281; [1999] FCA 461; BC9901711 but see *Peter Bodum A/S v DKSH Australia Pty Ltd* (2011) 280 ALR 639; 92 IPR 222; [2011] FCAFC 98; BC201105891.
52. Farkas, Thomas, *Does the United Kingdom need a general law against unfair competition? A fashion industry insight: Part 1, (2011) 33(4) EIPR*, 232: “The community UDR was made for the purpose to protect industries in a rapid environment, where the design usually changes quickly. In these industries, such as fashion, the registering process itself and its duration seem too long and burdensome. Furthermore the duration of protection is of lesser importance for these short-lived designs”.
53. ACIP, *Review of the Designs System: Options Paper*, (2014), www.acip.gov.au/pdfs/Options-Paper-for-the-Review-of-the-designs-System.pdf.
54. IP Australia, *Designs FAQs, Multiple Designs*, see www.ipaustralia.gov.au/get-the-right-ip/designs/designs-faqs/#a3.